

Observe Medical ASA

H1/2024

Half year report



Observe Medical in brief

Observe Medical is a Nordic medtech company that develops, markets and sells innovative medtech products for the global market. Observe Medical is committed to improving patient welfare and patient outcomes, improving clinical data accuracy and promoting positive health economics.

Observe Medical seeks to drive growth by leveraging its expertise in sales and commercialization of its portfolio of medical technology products, mainly in urine measurement, ultrasound, in combination with seeking distribution opportunities and targeted M&A.

Headquartered in Oslo, Norway, Observe Medical operates through wholly owned subsidiaries in Sweden, Denmark, Finland, and the USA, supported by an international network of distributors and partners.

The Company's current portfolio of products consists of our Urine measurement product family of manual urine and intra-abdominal pressure measurement sold under the UnoMeter™ brand. The portfolio also includes the patented automated system for digital urine measurement and biofilm control, Sippi®. In addition, the portfolio consists of the Biim ultrasound probe, a unique, wireless, pocketable device that enables rapid patient scanning and image review.



Patient
welfare



Health
economics



Data
accuracy

Highlights first half year of 2024

● **Expanding distributor network**

Deliveries of UnoMeter™ 500 and UnoMeter™ Abdo-Pressure to distribution network of 23 distributors in 25 countries in Europe and Asia.

● **Early product launch of UnoMeter™ Safeti Plus**

The early launch was a direct result of the strong collaboration between Observe Medical's product development team and our external manufacturing partner. The UnoMeter™ Safeti Plus launch marks a major milestone in Observe Medical's strategic journey. It also lays the groundwork for the upcoming launch of UnoMeter™ Sippi®, the next generation of hourly diuresis monitoring solutions.

● **Post market surveillance - UnoMeter™ 500**

UnoMeter™ 500 was upgraded to next generation with improved features.

● **Biim agreement with Fresenius Medical Care extended for 2 Years**

The initial agreement with Fresenius was entered into in October 2021, with a one-year extension exercised in October 2023. The renewal was signed on 31 May and extends the partnership for an additional two years, until April 1, 2026. Subsequent events include signing of LOI with renowned US industrial player within medical imaging.

● **Private placement of NOK 22 million completed**

Private Placement raising gross proceeds of NOK 22 million. Subsequent repair issue and undertaking from the Company's manufacturer to be completed in H2.

● **Other notable events include**

Letter of Intent (LOI) with Sulacare AS to collaborate on the commercial launch of Sulacare's innovative and proprietary female catheterization product. Since the UnoMeter™ works alongside urinary catheters, this partnership offers a natural synergy, allowing us to provide a more comprehensive solution for urinary care.

The transfer of Nordic distribution to Vingmed was completed through a gradually transfer of contracts and inventory in H1. This strategic divestiture aligns with Observe Medical's broader objective to streamline our operations and concentrate on expanding our international market presence, thereby enhancing shareholder value and strengthening our competitive position in the global market.

Key figures H1 2024

- ▶ Observe Medical recorded **operating revenues** of NOK 13.1 million, reflecting a YoY increase of NOK 1.2 million. The gross result reached NOK 5.0 million, up NOK 0.7 million compared to the same period last year. The increase is driven by UnoMeter™ sales partly offset by declining sales in the Nordic portfolio which is being phased out during H1 2024.
- ▶ **EBITDA before non-recurring items** increased by NOK 6.8 million YoY, primarily driven by sales of UnoMeter™ products and reduced operating expenses (OPEX)
- ▶ **Net finance** negative of NOK 3.2 million (negative NOK 5.7 million in H1 2023) mainly consisting of net interest expenses of NOK 2.6 million, net currency effect of NOK 0.6 million
- ▶ **Result** for H1 2024 was negative NOK 22.5 million, an improvement from negative NOK 35.2 million in H1 2023.
- ▶ Observe Medical had an **equity** of NOK 107.4 million at June 30, 2024.

In June 2024 Observe Medical issued 38,137,038 new shares in connection with the first tranche of the Private Placement.

<i>Amounts in NOK thousand (excl. earnings per share)</i>	H1 2024	H1 2023	FY 2023	FY 2022
Operating revenues	13 056	11 819	27 942	19 521
Gross result	4 990	4 280	9 287	5 177
Operating expenses	17 599	23 709	43 625	50 310
EBITDA before non-recurring items	-12 609	-19 429	-34 338	-45 133
Non-recurring items	0	3 355	3 355	3 079
EBITDA	-12 609	-22 784	-37 693	-48 212
Depreciation and amortisation	6 660	6 655	13 570	10 931
EBIT	-19 269	-29 439	-51 263	-59 143
Net finance	-3 228	-5 737	-9 082	8 418
Result before tax	-22 497	-35 176	-60 345	-50 725
Income tax expenses	16	18	17	76
Result	-22 513	-35 194	-60 362	-50 801
Earnings per share (NOK per share)	-0,12	-0,63	-1,05	-1,08

Letter from the CEO

One of our most significant achievements this year has been the early launch of the UnoMeter™ Safeti Plus. This milestone is more than just a product release; it symbolizes our strategic and commercial advancement. The seamless collaboration between our product development team and our external manufacturing partner is key to this success. This launch is a testament to our focus on delivering cutting-edge solutions that meet the critical needs of healthcare providers and patients worldwide. It also paves the way for the upcoming introductions of UnoMeter™ Safeti Max and UnoMeter™ Sippi®, which will further enhance our portfolio of next-generation hourly diuresis monitoring solutions.

Another important development was the launch of our strategic approach to expand our market offering by seeking out and taking on products from third party companies. The ambition is to form partnerships where our widespread distribution network is made available to these partners and where the products from these partners complements our existing portfolio and adds to our commercial footprint and our financial performance. Several projects are being explored and we expect to be able to mature these and others during H2 2024.

Looking ahead, these type of partnerships is just the beginning of our broader vision to integrate a range of innovative products into our medtech



platform. Our goal is to be a preferred sales and commercialization platform for medtech companies globally.

While our partnership with Fresenius remains robust, we have also been actively exploring strategic alternatives for the Biim project. As a result of these efforts, we announced in July 2024 a non-binding Letter of Intent (LOI) with a leading American medical imaging company. This potential partnership aims to jointly develop and market handheld ultrasound solutions for the dialysis market, leveraging both companies' technologies. This LOI builds on our existing Fresenius relationship and could significantly enhance our presence in the medical imaging sector.

The finalization of the transfer of our Nordic distribution operations to Vingmed, represents another strategic step forward. This move allows us to streamline our operations and focus more effectively on our global distribution strategy. Vingmed's expertise ensures that our UnoMeter™ portfolio is well-supported in the Nordic region, enabling us to leverage their

capabilities while we continue to scale our international presence.

In support of our strategic initiatives, we successfully completed a Private Placement in June, raising NOK 22 million in gross proceeds, providing us with the necessary capital to accelerate our production and sales efforts, particularly for the UnoMeter™ portfolio.

We are excited about the opportunities that lie ahead in 2024 and are committed to delivering long-term value to our shareholders, customers, and partners.

Sincerely,

A handwritten signature in blue ink, appearing to be the name "Jørgen Mann".

Jørgen Mann
CEO

The market leading
UnoMeter™ Safeti Plus
is returning



Product overview

The current portfolio of products consists of our Urine measurement product family of manual urine and intra-abdominal pressure measurement sold under the UnoMeter™ brand. The portfolio also includes the patented automated system for digital urine measurement and biofilm control, Sippi®.

The Company's portfolio also consists of the Biim ultrasound probe, a unique, wireless, pocketable device that enables rapid patient scanning and image review.

Manual Urine and intra-abdominal measurement systems

In 2023, Observe Medical introduced a manual urine measurement system to a broad global distribution network. The manual system is an important step for Observe Medical to be established as a preferred supplier in this segment. This will create a unique market access channel for our existing portfolio and will catapult Sippi® to the market.



Sippi® - The Digital, Automated Urine Measurement System

Observe Medical's Sippi® system brings urine measurement at hospitals up to today's standards by measuring and capturing data digitally and fully automated.

Sippi® provides patient data accuracy and saves significant time and effort for healthcare professionals. Read more on our web page: <https://observemedical.com/sippi/>



Biim wireless pocketable ultrasound device

Biim Ultrasound probe is a wireless pocketable ultrasound device. This is a unique, cost efficient and small handheld wireless device that makes the technology available where its needed. The Biim Ultrasound system consists of an ultrasound probe and an App for display of the ultrasound image and/or video.

Biim offers nurses and medical staff an easy to use ultrasound device which ensure accuracy and quality in the treatment of their patients.

Biim has an agreement with Fresenius Medical Care with an aim to roll-out Biim Ultrasound probe in their approximately 3,000 dialysis clinics in the US has been a major important milestone. As of end first half 2024, a total of 285 Fresenius clinics has received Biim Ultrasound probes.



Financial Development

Observe Medical's first half year of 2024 reflects that the company has done significant steps in the commercialization of the UnoMeter™ portfolio. As part of this, Observe Medical has managed to significantly strengthen its distribution network globally. Additionally, the Company has launched the UnoMeter™ Safeti Plus, which is expected to have significant impact on the Company's financial performance.

Revenues

Revenues reached NOK 13.1 million in H1 2024, reflecting a 10% year-over-year increase, with a gross margin of 38.2% (+2.0 percentage points), primarily driven by sales of UnoMeter™ 500 and Abdo-Pressure™.

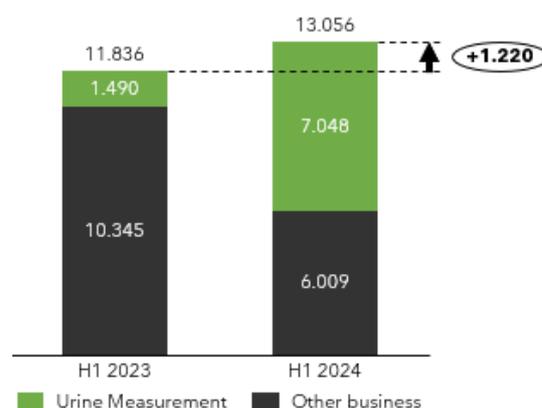
The UnoMeter™ products generated revenues of NOK 7.0 million in H1 2024, representing a year-over-year increase of NOK 5.6 million.

However, sales from the Nordic distribution portfolio declined as the business transitions to Vingmed.

There were no Biim Ultrasound sales in H1 2024, as the company is currently exploring strategic alternatives for the ultrasound business.

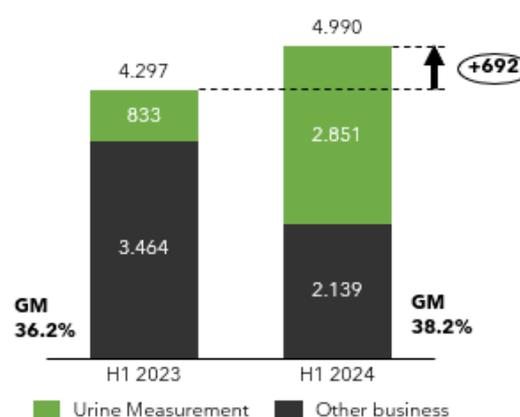
Additionally, other revenues were lower than in H1 2023, which had been boosted by the sale of regulatory consultancy

services from the Biim team in the USA to Vygon. Please refer to note 5 for details.



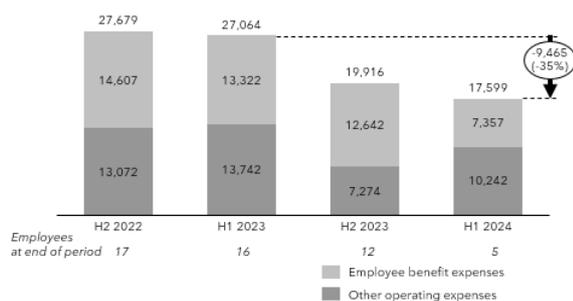
Gross profit

Gross profit of NOK 5.0 million, a year-over-year increase of NOK 0.7 million, reflecting a gross margin of 38.2% vs 36.2% LY. The increased gross profit is primarily driven by UnoMeter™ sales, though partially offset by sales of stock in the Nordic distribution with low margin.



Operational expenses

The first half shows reduced opex by 35% YoY, mainly driven by reduction of employees in second half of 2023 and first half of 2024. The Group initiated in second half of 2023 several cost reduction activities where downsizing of the workforce was one of the necessary measures.



The number of employees at 30 June 2024 was 5, compared to 16 last year. The Company is committed to optimize cost and has during the first half year of 2024 closed offices in Narvik, Seattle and Oulu. To enable sustainable growth the Group plans to rebuild a lean organization in 2025.

Group results first half year 2024

The Group had **operating revenues** of TNOK 13,056, compared to TNOK 11,819 in the same period last year.

Gross result in the first half year of 2024 was TNOK 4,990, compared to TNOK 4,280 in the same period last year.

Total **operating expenses before non-recurring items** in the period were TNOK 17,599, compared to TNOK 23,209 in the first half year of 2023.

EBITDA before non-recurring items in the first half year of 2024 was negative TNOK 12,609 compared to negative TNOK 19,429 in the same period last year.

Non-recurring opex in 2023 was TNOK 3,355 and is primarily related to UnoMeter™ tooling project that was discontinued and the Ferrari L. acquisition process. Currently no opex defined as non-recurring in 2024.

Depreciation and amortization were TNOK 6,660 in the first half year of 2024, compared to TNOK 6,665 in first half year of 2023.

Net financial income was negative TNOK 3,228 compared to negative TNOK 5,737 in the same period in 2023. The change is mainly related to currency.

Profit before tax was negative TNOK 22,497 compared to negative TNOK 35,176 in the same period last year. The Group had TNOK 16 in calculated income tax expenses and the **profit after tax** was negative TNOK 22,513

Earnings per share was negative NOK 0.12 compared to negative NOK 0.66 in the same period last year.

Cash flow first half year 2024

Net cash flow from **operating activities** was in the first half year of 2024 negative TNOK 10,000, compared to negative TNOK 19,446 in the first half year of 2023. The change is mainly affected by the result before tax, adjusted for finance items without cash effect.

Net cash flow from **investing activities** was TNOK 860, compared to negative TNOK 4,606 in the first half year of 2023. Positive cash flow mainly from sale of a company car.

Net cash flow from **financing activities** was TNOK 2,879, compared to TNOK 8,564 in the first half year of 2023.

Cash deposits at 30 June, 2024 were TNOK 2,704.

Financial position at 30 June 2023

As of 30 June 2024, the Group had total **non-current assets** of TNOK 218,145, compared to TNOK 187,785 at 30 June 2023. Non-current assets mainly consisting of goodwill TNOK 101,977 (TNOK 101,563 at 30 June 2023) and intangible assets associated with the technologies and patents for the Sippi® system and Biim ultrasound probe, as well as the acquisition of the UnoMeter™ portfolio in 2023 of TNOK 115 871 (TNOK 82,753 at 30 June 2023).

As of 30 June 2024, the Group had **bank deposits** of TNOK 2,704, at 30 June 2023 the bank deposits were TNOK 1,735.

As of 30 June 2024, the Group had **total assets** amounting to TNOK 246,400, compared to TNOK 203,730 at 30 June 2023.

As of 30 June 2024, the Group had **equity** of TNOK 107,448 compared to TNOK 109,228 at 30 June 2023. The equity ratio was 43.6% at 30 June 2024, compared to 53.6% at 30 June 2023. The change is mainly related to the negative result, currency effects and first tranche of the Private Placement as adopted, not registered capital.

As of the end first half year, the Group had **interest bearing debt**, current and non-current, at TNOK 54,827, compared to TNOK 61,159 at 30 June 2023

Events After the Reporting Date

The Extraordinary General Meeting was held on July 17 2024, where the issuance of 16,862,962 offer shares to complete tranche 2 of the private placement was adopted and granting the board of directors an authorisation to increase the Company's share capital by up to NOK 8,450,000, in connection with the contemplated subsequent offering, and granting the board of directors a general authorisation to increase the Company's share capital by up to NOK 12,775,630, in order to finance further growth.

The completion of tranche 1 and 2 resulted in gross proceeds of NOK 22 million.

On 29 July 2024, the Company published a stock exchange announcement of a non-binding Letter of Intent ("LOI") to explore a strategic partnership with a

leading American medical imaging company (the "Partner Company"). The potential strategic partnership will contain a joint effort to develop and market handheld ultrasound-based solutions for the dialysis market and explore a potential distribution partnership within the EU. The Partner Company specializes in portable medical imaging solutions, backed by top-tier American Venture Capital and Investment Managers. Their portfolio includes ultrasound devices, device-agnostic workflow software, and AI-based analysis tools for various medical applications. This partnership aims to leverage these technologies with Observe Medical's Biim ultrasound technology, with a particular focus on supporting the existing Fresenius contract opportunity.

The LOI signifies a shared interest in leveraging both companies' expertise and technologies. This involves joint development efforts in the dialysis market, a revenue-sharing agreement based on net sales of solutions, and potential exploration of a distribution partnership within the EU. Final terms of

any definitive agreement will be subject to due diligence and further negotiations.

On 13 August, the Company announced that Jørgen Mann was appointed permanent CEO.

Outlook

Observe Medical's long-term ambition is to become a leading global medtech company, with a target of reaching NOK 1 billion in revenues. The company aims to achieve this by delivering innovative medical technology solutions that enhance patient care, improve clinical outcomes, and support positive health economics. Growth will be driven through the development, commercialization, and global distribution of its proprietary products, while also exploring strategic opportunities such as mergers, acquisitions, and partnerships to expand its market presence and product portfolio.

In the period, the Company has taken important steps with the UnoMeter™ products to capitalize on its scalable medtech platform and is now well positioned to take on new opportunities as they arise.

Urine Measurement

Observe Medical's strategy behind the UnoMeter™ acquisition is to reclaim market leadership in the urine

measurement segment, particularly with the UnoMeter™ 500 and UnoMeter™ Safeti Plus. Prior to Convatec discontinuing the business, these brands commanded a strong market share of approximately 50-60% in Europe's urine measurement segment, distributed through over 600 partners in more than 50 countries. UnoMeter™ Safeti Plus is now in the final stages of preparation, with the first shipments expected in September/October 2024. Once the brand has regained a foothold in the market, Observe Medical plans to introduce innovative products, such as an improved version of UnoMeter™ Safeti Plus featuring the patented infection control technology Sippcoat®, and our proprietary digital urimeter, Sippi®. The Company will also improve the Sippi® solution providing clinical benefits to patients, driven by insights from healthcare providers and key stakeholders. In near term the company's key focus is to a new manufacturer for the Sippi® bag and to executing the Sippi® go-to-market strategy.

The Company follows market developments closely and will continuously assess opportunities and

risks that any changes in market conditions may entail.

Biim ultrasound probe

As the net proceeds from the December 2023 rights issue were insufficient to meet the working capital requirements for ongoing product development and the operation of the ultrasound business, the Group has initiated a process to evaluate various strategic alternatives. Consequently, there has been no production or sales activity. However, as part of this strategic assessment, discussions have been held with Fresenius Medical Care regarding the next steps towards a final investment decision. On May 31 the agreement with Fresenius Medical Care was extended for two years. This renewal strengthens Biim's position within the dialysis market and demonstrates continued confidence from a leading global healthcare provider. The initial agreement with Fresenius Medical Care was entered into in October 2021, with a one-year extension exercised in October 2023. The agreement was renewed in May and extends the partnership for an additional two years, until April 1, 2026.

As mentioned under "Events after reporting date", the potential partnership with a leading American medical imaging company will decide the way forward for Biim Ultrasound, but under the agreement with Fresenius, Biim's ambition given a successful strategic partnership, is to continue to supply Fresenius with their wireless pocketable ultrasound devices for use in their dialysis clinics across the United States and

potentially expand our reach to other dialysis providers. As of today, Biim has successfully delivered 285 units in select Fresenius test clinics, positioning the Company for potential expansion to all approx. 3,000 US clinics.

Distribution platform

Throughout the first half of 2024, the Company has after a strategic decision discontinued its Nordic sales operations and transferred the contracts to the Nordic distributor Vingmed. Considering that the Nordic Portfolio was initially established as a platform for testing and launching its own branded products, the relevance of this business was carefully assessed. With the expansion of our global distribution capabilities, which now effectively serve our testing and pre-launch requirements, the Nordic operations have become less critical to our core business. As a result, the Group has decided to seek more suitable ownership for these operations moving forward.

However, the company is still constantly working to expand its product portfolio with high-quality products that can be distributed through our growing distribution network globally. An example of this is the recent letter of intent for female catheterization product with Sulacare.

Value creating M&A and corporate development remains an important part of Observe Medical's strategy.

Risks and uncertainties

Observe Medical faces risks both of operational and financial nature, which are described in Note 3 in the consolidated financial statements 2023 and in the Risk Factors section in the Board of Directors report in the annual report 2023.

Observe Medical operates in the market for medical technology and is exposed to the risk factors which are considered common in this market. Even though Observe Medical emphasizes investments in continuous product development and an efficient strategy for commercialization of the current product portfolio, there is a risk of competing product launches with better product features or with better ability to penetrate the market and build market share. Increased competition may also lead to reduced pricing potential for Observe Medical's products.

After a period of lack of capacity in the market for urimeters driven by Convatec/Unomedical abruptly stepping out of the market in 2022, a number of existing and new competitors have stepped in, and the markets are returning to a normal supply and demand situation. Competing products may be launched to the market before the Group is able to establish a viable market share and may lead to additional pressure on prices and the speed of market entry.

The main operational risk short term for Biim relates to the continued roll-out and degree of adoption of the product in Fresenius Medical Care's dialysis clinics in the US. There is further a risk that the

Company is unable to reach an agreement with the American medical imaging company after the due diligence. If unsuccessful, the Company would have to find other solutions for financing Biim Ultrasound in order to continue operations.

The Group has distributors and partners as sales channels for foreign markets. The Group is dependent on those distributors' ability to perform and operate in these markets. Furthermore, there is a risk that these companies go out of business, which could lead to delays in the commercialization. The Group also faces a risk in upscaling or changes in the production, where product performance can differ.

The Group has taken comprehensive measures to protect its brands and related intellectual property rights, which are important to its continued success. If, however, the Group fails to successfully protect its intellectual property rights for any reason, or if any third party misappropriates, dilutes, or infringes its intellectual property, the value of its brands may be harmed, which could have an adverse effect on its business, results of operations or financial condition.

The global situation has become increasingly unstable due to ongoing wars and conflicts, creating widespread challenges. These issues are significantly affecting raw material supply, logistics, and transportation. Additionally, this instability is contributing to heightened uncertainty in financial markets and

driving inflation rates higher worldwide. By the end of first half, the freight prices have increased by a multiple of 4 since the same period last year.

Management performs on a regular basis cash-flow projections to evaluate whether it will be able to cover the liquidity needs for the next 12-month period. In developing estimates of future cash flows, the management makes assumptions about revenue and revenue growth, cost of materials, payroll and operating expenses, capital expenditure, loan repayments and interest charges. The assumptions applied are based on historical experience and future expectations. The financial condition of the Group may be negatively affected by the failure to achieve the financial results projected for the Group. The Group is still in a ramp-up phase for production and sale of the UnoMeter™ portfolio, and

there is a risk that the Group will not achieve the projected market share or price level for the products. This will have a significant effect on the projected revenues and the Company's ability to meet its future obligations

Based on updated cash flow forecasts, the Group will require additional funds to execute and complete its commercialization and growth strategy, and for other purposes. There is a risk that adequate sources of funds may not be available, or available at acceptable terms and conditions, when needed.

Following any liquidity risk, if by any case the Group is unable to fulfill the terms of the contract related to the purchase of UnoMeter™ from Convatec, including payment of the contracted instalments, there is a risk that Observe Medical will have to suspend its sales under the UnoMeter™ brand.

Declaration in Accordance with §5-5 of the Securities Trading Act

We confirm, to the best of our knowledge, that the unaudited, condensed half-year financial statements for the period 1 January to 30 June 2024 have been prepared in conformity with IAS 34 Interim Financial Reporting, that the information in the financial statements provides a fair view of the enterprise and the group's assets, liabilities, financial position and overall results, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act

The Board of Directors and CEO of Observe Medical ASA

Oslo, August 23, 2024



Kathrine Gamborg Andreassen
Director



Line Tønnessen
Director



Eskild Endrerud
Director



Jørgen Mann
CEO



Terje Bakken
Chairman

Consolidated Financial Statements

Observe Medical Group

Consolidated Statement of Comprehensive Income

<i>(Amounts in NOK thousand)</i>	Note	H1 2024	H1 2023	FY 2023	FY 2022
Operating revenues	5	13 056	11 819	27 942	19 521
Cost of materials		8 066	7 538	18 655	14 344
Gross result		4 990	4 280	9 287	5 177
Employee benefit expenses		7 357	13 322	25 964	28 521
Other operating expenses		10 242	13 742	21 016	24 868
Operating expenses		17 599	27 064	46 980	53 389
Operating result before depreciation and amortisation (EBITDA)		-12 609	-22 784	-37 693	-48 212
Depreciation and amortisation		6 660	6 655	13 570	10 931
Operating result (EBIT)		-19 269	-29 439	-51 263	-59 143
Financial income and expenses					
Financial income		1 896	2 766	7 523	19 122
Financial expenses		5 124	8 503	16 605	10 704
Net financial items		-3 228	-5 737	-9 082	8 418
		0	0		
Result before tax		-22 497	-35 176	-60 345	-50 725
Income tax expense		16	18	17	76
Result for the period		-22 513	-35 194	-60 362	-50 801
Earnings per share (NOK per share)		-0,12	-0,66	-1,05	-1,08

Observe Medical Group

Consolidated Statement of Financial Position

ASSETS				
<i>Amounts in NOK thousand</i>	Note	At 30 June 2024	At 31 December 2023	At 30 June 2023
Non-current assets				
Goodwill	9	101 977	102 314	101 563
Intangible assets		115 871	122 012	82 753
Tangible assets		296	1 989	3 469
Total non-current assets		218 145	226 315	187 785
Current assets				
Trade receivables		1 435	3 117	1 160
Inventories		6 672	6 890	9 556
Other receivables and prepaid expenses		17 444	3 539	3 493
Cash and cash equivalents		2 704	13 676	1 735
Total current assets		28 256	27 222	15 944
Total assets		246 400	253 537	203 730
EQUITY AND LIABILITIES				
<i>Amounts in NOK thousand</i>	Note	At 30 June 2024	At 31 December 2023	At 30 June 2023
Total equity		107 448	115 606	109 228
Non-current liabilities				
Non-current lease liabilities		0	136	367
Contingent consideration	6	1 560	1 560	3 405
Other non-current liabilities	10	25 551	25 325	0
Non-current interest bearing liabilities	10	0	50 027	909
Total non-current liabilities		27 112	77 048	4 680
Current liabilities				
Trade payables		19 385	17 847	10 503
Current tax liabilities		0	0	0
VAT and other public taxes and duties payables		8 068	10 574	9 470
Interest bearing current liabilities	10	55 971	4 477	56 787
Current lease liabilities		0	656	1 427
Other current liabilities	10	28 416	27 329	11 635
Total current liabilities		111 840	60 883	89 822
Total liabilities		138 952	137 931	94 502
Total equity and liabilities		246 400	253 537	203 730

The Board of Directors and CEO of Observe Medical ASA

Oslo, August 23, 2024

A handwritten signature in blue ink that reads "Kathrine G. Andreassen".

Kathrine Gamborg Andreassen
Director

A handwritten signature in blue ink that reads "Eskild Endrerud".

Eskild Endrerud
Director

A handwritten signature in blue ink that reads "Line Tønnessen".

Line Tønnessen
Director

A handwritten signature in blue ink that reads "Jørgen Mann".

Jørgen Mann
CEO

A handwritten signature in blue ink that reads "Terje Bakken".

Terje Bakken
Chairman

Observe Medical Group

Consolidated Statement of Changes in Equity

<i>(Amounts in NOK thousand)</i>	Share capital	Share premium	Other paid-in equity	Total paid-in capital	Capital not paid in	Retained earnings	Translation differences	Total
Equity as of 1 Jan 2023	13 908	283 700	11 800	309 409		-159 205	-11 898	138 306
Rights issue								
Consideration shares								
Share options						264		264
Net loss of the period						-35 194		-35 194
Translation differences							5 852	5 852
Equity as of Jun 30, 2023	13 908	283 700	11 800	309 409		-194 135	-6 046	109 228
Equity as of 1 Jan 2023	13 908	283 700	11 800	309 409	0	-159 205	-11 898	138 306
Share issue	35 670	-5 730		29 940				29 940
Share options						478		478
Net loss of the period						-60 362		-60 362
Translation differences							7 244	7 244
Equity as of 31 Dec 2023	49 578	277 970	11 800	339 348	0	-219 089	-4 654	115 606
Equity as of 1 Jan 2024	49 578	277 970	11 800	339 348	0	-219 089	-4 654	115 606
Share issue		-1 100		-1 100	15 255			14 155
Share options						139		139
Net loss of the period						-22 513		-22 513
Translation differences							61	61
Equity as of 30 Jun 2024	49 578	276 870	11 800	338 248	15 255	-241 463	-4 592	107 448

In June 2024 Observe Medical ASA issued 38,137,038 new shares for gross proceeds of NOK 15,255 thousand. Net proceeds after cost of share issue of NOK 14,155 thousand. Capital registered and paid in on 2 July 2024.

Observe Medical Group

Consolidated Cash Flow Statement

<i>(Amounts in NOK thousand)</i>	H1 2024	FY 2023	H1 2023
Cash flow from operating activities			
Result before tax	-22 497	-60 345	-35 176
Tax paid	209	36	-409
Depreciation and amortization	6 660	13 570	6 655
Gain(-)/Loss(+) from sale of fixed assets	-125	0	0
Change in net finance, no cash effect	2 073	7 374	2 102
Change in inventories	219	1 227	-1 438
Change in trade receivables and other receivables	2 803	515	1 105
Change trade payables and other current liabilities	658	13 168	7 714
Net cash flow from operating activities	-10 000	-24 455	-19 446
Cash flow used in investing activities			
Sale of tangible and intangible assets	1 177	392	125
Purchase / disposal of tangible and intangible assets	-317	-8 018	-4 731
Net cash effect of business combination	0	0	0
Net cash flow from investing activities	860	-7 626	-4 606
Cash flow from financing activities			
Net proceeds from share issue	0	28 451	0
Change in net interest bearing debt	-2 378	4 932	9 425
Payments of lease liabilities	-501	-1 643	-861
Net cash flow from financing activities	-2 879	31 740	8 564
Currency translation differences	1 047	377	3 582
Change in cash	-10 972	36	-11 906
Bank deposits start of period	13 676	13 641	13 641
Bank deposits end of period	2 704	13 676	1 735

Explanatory Notes to the Consolidated Financial Statements

Note 1 – General information

Observe Medical ASA is a Norwegian public listed company located in Norway and whose shares are public traded on Euronext Expand Oslo. Its head office is located in Dronning Eufemias gate 16, 0191 Oslo, Norway. The Company and its subsidiaries (together the Group) is a growing medtech group which has developed the next generation digital urine meter, Sippi® and the unique, wireless and pocketable ultrasound probe, Biim. Observe Medical introduced in 2023 a UnoMeter™, a manual Urine Measurement system and intra-abdominal pressure measurement solution to a broad global distribution network. The manual system is an important step for Observe Medical to be established as a preferred supplier in this segment which will create a unique market access channel for our existing portfolio and will catapult Sippi® to the market.

The Group consists of the following companies: Observe Medical ASA (Oslo, Norway) , Observe Medical AB (Gothenburg, Sweden), Observe Medical Nordic AB (Gothenburg, Sweden), Observe Medical ApS (Sørum, Denmark), Biim Ultrasound AS, located in Oslo, Norway, Biim Ultrasound Oy (Oulu, Finland) Biim Ultrasound Inc. (Seattle, USA).

Note 2 – Basis of preparation and statements

The financial statements are presented in NOK, unless otherwise is stated.

These interim condensed consolidated financial statement for the first half 2024 has been prepared in accordance with the requirements of the International Accounting Standard 34 Interim Financial Reporting.

The interim report does not include all of the information required for full annual financial statements of the group and should be read in conjunction with the consolidated financial statements for 2023. The accounting policies applied are consistent with those applied and described in the consolidated annual financial statements for 2023, which are available upon request from the company's registered office at Dronning Eufemias gate 16, 0191 Oslo, Norway and at www.observemedical.com.

These interim condensed consolidated financial statements for the first half 2024 were approved by the Board of Directors and the CEO on 23 August 2024.

Note 3 – Accounting policies

The group prepares its consolidated annual financial statements in accordance with IFRS as adopted by the EU (International Financial Reporting Standards - IFRS). The accounting policies adopted in the financial statement for first half 2024 are consistent with accounting policies in the annual report 2023. Refer to note 2 in the annual financial statement 2023 for description of the most important accounting policies.

References to IFRS in these financial statements refer to IFRS as approved by the EU.

Note 4 – Significant judgements and accounting estimates

The preparation of financial statements in accordance with IFRS requires that management make assessments, estimates and assumptions that impact reported amounts for revenues, expenses, assets and liabilities and presentation of contingent liabilities at the end of the reporting period. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, significant judgements made by management and the key sources of estimation uncertainty were the same as those applied to the annual consolidated financial statements for 2023 (see especially note 4).

Note 5 – Revenues

Amounts in NOK thousand

Revenue per product group	H1 2024	H2 2023	H1 2023	H2 2022	H1 2022
Urine Measurement - Sippi®	25	21	22	21	118
Urine Measurement – UnoMeter™	7 023	6 773	1 469	0	0
Biim Ultrasound probe	0	1 162	45	47	5 004
Nordic distribution portfolio	4 932	8 062	7 527	7 380	6 345
Other	1 077	106	2 756	64	542
Total	13 056	16 123	11 819	7 512	12 009

Note 6 – Contingent Consideration

Observe Medical International AB was acquired at 4 August 2015 and the purchase price was NOK 60.6 million including a contingent consideration valued at NOK 25.6 million at the acquisition date. The contingent consideration depends on the revenues from sales of the Sippi® product over a number of years. The fair value of the contingent consideration involves discounting expected future payments. The fair value of the contingent consideration involves discounting expected future payments. Discounting is based on a discount rate of 12%.

Change in contingent consideration

(Amounts in TNOK)

Estimated fair value 31 December 2021	13 031
Change in estimated fair value in 2022	-9 666
Estimated fair value 31 December 2022	3 365
Change in estimated fair value in 2023	-1 805
Estimated fair value 31 December 2023	1 560
Change in estimated fair value in H1 2024	0
Estimated fair value 30 June 2024	1 560

Change in estimated fair value, which includes calculated interest, is recognized through profit or loss.

Note 7 – Share options

Former CEO Employee Share Options

As part of a long-term incentive plan, the former CEO Rune Nystad was on November 11, 2022 granted 1 000 000 options.

The options have been granted with an exercise price of NOK 4.5 per option share. The options will be vested in three tranches, whereby each tranche comprising 1/3 of the options will vest on the first, second and third anniversary of the grant date, respectively.

The options have been granted without consideration and each option will upon exercise give the right to acquire one share in the Company. Any shares acquired upon exercise will be subject to a 12 months' lock-up period from the date received by the option holder, and all options will expire and lapse if not exercised within 11 November 2026.

Share options at 30 June 2024										
Name and position	Specification of plan	Award date	Vesting date	End of holding period	Exercise period	Exercise price of the share and date	Share options held at the beginning of the year	Share options awarded	Share options vested	Share options awardee and unvested
Rune Nystad (CEO)	ESOP 2022	11.11.2022	11.11.2023	11.11.2023	11.11.23 – 11.11.26	4.5	333 333	0	333 333	0
		11.11.2022	11.11.2024	11.11.2024	11.11.24 – 11.11.26	4.5	333 333	0	0	333 333
		11.11.2022	11.11.2025	11.11.2025	11.11.25 – 11.11.26	4.5	333 334	0	0	333 334
Total							1 000 000	0	333 333	666 667
Total for the Company							1 000 000	0	333 333	666 667

Note 8 – Earnings per share

For the periods presented there are no dilutive effects on profits or number of shares. Basic and diluted earnings per share are therefore the same.

	H1 2024	H1 2023	FY 2023
Profit for the period (TNOK)	-22 513	-35 194	-60 362
Average no of shares	190,685,204	53,491,656	57,626,256
Earnings per share (NOK)	-0,12	-0,66	-1,05

Through the Private Placement in June 2024, Observe Medical ASA issued 38,137,038 new shares for gross proceeds of NOK 15,255 thousand from the first tranche of the Private Placement. Net proceeds after cost of share issue of NOK 14,155 thousand. The first tranche of the share capital registered and paid in on July 2nd. After registration of tranche 1 on July 2nd, the number of shares in the Company is 228,822,242 and is not included in the average no of shares in H1. Subsequent: After completion of tranche 2 with 16,862,962 shares, the total number of shares in the Company is 245,685,204.

Note 9 – Goodwill

Goodwill relates to the acquisition of Observe Medical International AB (OMI AB) in 2015, the acquisition of Observe Medical Nordic AB in 2020, and the acquisition of Biim Ultrasound AS in 2022.

Goodwill is not amortized, but tested at least annually for impairment.

As at 31 December 2023, the recoverable amount was also estimated based on value in use. The value in use of the cash generating unit was calculated on the basis of discounted future cash flows. No further impairment test has been carried out as at 30 June 2024.

Refer to note 7 in Annual report 2023 for further information about goodwill.

Note 10 – Liabilities

Liabilities <i>(Amounts in TNOK)</i>	At 30 June 2024	At 31 December 2023	At 30 June 2023
Navamedic ASA loan	51 432	49 149	42 239
Innovation loan Biim, Business Finland	4 539	4 477	4 661
Other loans	0	0	9 887
Contingent consideration	1 560	1 560	3 405
Convatec instalment 2 and 3	16 003	15 861	0
Convatec instalment 4	25 551	25 325	0
Other current liabilities	12 414	9 139	13 062
Total	111 499	105 511	73 254

Refer Annual report 2023 for further information about the loan agreement with Navamedic ASA. Instalments to Convatec regarding the acquirement of UnoMeter™ where USD 1,0 million is due within a year and USD 2.4 million is due September 2025.

Net interest bearing debt <i>(Amounts in TNOK)</i>	At 30 June 2024	At 31 December 2023	At 30 June 2023
Current and Non-current lease liability	0	792	1 794
Non-current interest bearing liabilities	0	50 027	909
Contingent consideration	1 560	1 560	3 405
Interest bearing current liabilities	55 971	4 477	56 787
Total interest bearing debt	57 532	56 857	62 894
Cash and cash equivalents	2 704	13 676	1 735
Net interest bearing debt	54 827	43 181	61 159

Note 11 – Related parties

Transactions and balances with related parties

<i>Amounts in NOK thousand</i>		As at 30.06.2024	As at 31.12.2023
Operational Expenses	Reiten&Co AS	750	1 500
Financial expenses	Navamedic ASA	2 283	3 534
Trade payables and other current liabilities	Reiten&Co AS	2 250	1 500
Interest bearing debt	Navamedic ASA	51 432	49 149

Transactions and Balances with related parties includes transactions with Reiten&Co, 100% owned by Ingerø Reiten Investment Company AS (IRIC) and Navamedic ASA. In accordance with the agreement made with Reiten & Co in 2023 for strategic advisory services related to the Convatec transaction, the rights issue, and financial advisory, NOK 750,000 was expensed under this agreement in H1 2024.

In the Private placement in June 2024, IRIC subscribed for the amount NOK 2,250 thousand.

Note 12 – Shareholder information

Top shareholders at 24 June 2024 and at 21 August 2024 including the private placement of 55 000 000 new shares

Rank	Name	24 June 2024		21. August 2024	
		Holding	Stake	Holding	Stake
1	INGERØ REITEN INVESTMENT COMPANY AS	37 384 437	19,61 %	43 009 437	17,51 %
2	JPB AS	16 314 944	8,56 %	17 564 944	7,15 %
3	ELI AS	11 013 298	5,78 %	13 263 298	5,40 %
4	GINNY INVEST AS	6 250 000	3,28 %	9 250 000	3,76 %
4	F2 FUNDS AS	4 000 000	2,10 %	9 000 000	3,66 %
6	SILVERCOIN INDUSTRIES AS	5 794 149	3,04 %	8 294 149	3,38 %
7	CAM AS	3 633 162	1,91 %	6 633 162	2,70 %
8	RO, LARS	6 250 000	3,28 %	6 250 000	2,54 %
9	BJØRNTVEDT, VEGARD	5 039 591	2,64 %	5 839 591	2,38 %
10	PHILIP HOLDING AS	3 000 000	1,57 %	5 500 000	2,24 %
11	KING KONG INVEST AS	0	0,00 %	5 000 000	2,04 %
12	QUICK ISLAND INVEST AS	3 250 000	1,70 %	4 500 000	1,83 %
13	JOHANSSON, ERIC	500 000	0,26 %	4 250 000	1,73 %
14	NAVAMEDIC ASA	4 222 727	2,21 %	4 222 727	1,72 %
15	WANGESTAD, ANDREAS	3 360 000	1,76 %	4 105 000	1,67 %
16	LAPAS AS	3 468 311	1,82 %	3 468 311	1,41 %
17	GUNERIUS PETTERSEN AS	2 500 000	1,31 %	3 125 000	1,27 %
18	EM KAPITAL AS	3 001 128	1,57 %	3 001 128	1,22 %
19	LIVERMORE INVEST AS	1 500 000	0,79 %	3 000 000	1,22 %
20	NORDNET BANK AB	2 750 920	1,44 %	2 877 608	1,17 %
21	TAJ HOLDING AS	2 481 496	1,30 %	2 481 496	1,01 %
	SUM LARGEST SHAREHOLDERS >1%	125 714 163	65,93 %	164 635 851	67,01 %
	OTHER SHAREHOLDERS	64 971 041	34,07 %	81 049 353	32,99 %
	Total	190 685 204	100,00 %	245 685 204	100,00 %

Number of shares owned by board of directors and group management and at 21.08.2024 and participation in the Private placement by primary insiders

Name	Position	No of shares in the Private placement	Total shares
Terje Bakken ¹	Chairperson	1 250 000	1 250 000
Kathrine Gamborg Andreassen ²	Board Member	250 000	868 760
Eskild Endrerud ³	Board Member	3 750 000	14 718 859
Line Tønnessen ⁴	Board Member	500 000	932 692
Jørgen Mann	Chief Executive Officer	500 000	500 000
Johan M. Fagerli	Chief Financial Officer	250 000	250 763
Rune Nystad ⁵	Chief Development Officer	875 000	1 662 483

1 Bakken represents the Company's largest shareholder, IRIC, at the Board of Directors. The Shares owned by Bakken are owned through his privately held company, Kikinn Invest AS.

2 Gamborg Andreassen represents the material business contact, Navamedic, at the Board of Directors. The Shares owned by Gamborg Andreassen are owned through her privately held company, Soleglad Invest AS.

3 Endrerud represents the Company's third largest shareholders, ELI AS, at the Board of Directors. Endrerud owns 100% of ATHEND Holding AS. ATHEND Holding AS owns 378,994 shares in the Company and 50% of the shares in SEED Capital AS, who owns 64,067 shares in the Company. SEED Capital AS owns 91.932% of ELI AS, who owns 13,263,298 shares in the Company. In total, Eskild Endrerud indirectly owns 13,706,359 shares in the Company and directly owns 1,012,500 shares in the Company.

4 Tønnessen represents the Company's largest shareholder, IRIC, at the Board of Directors. The Shares owned by Tønnessen are owned by her directly

5 517,521 shares owned by US Holding AS who is 100% owned by Rune Nystad

Note 13 – Events after the reporting date

The Extraordinary General Meeting was held on July 17, where the issuance of 16,862,962 offer shares to complete tranche 2 of the private placement was adopted and granting the board of directors an authorisation to increase the Company's share capital by up to NOK 8,450,000, in connection with the contemplated subsequent offering, and granting the board of directors a general authorisation to increase the Company's share capital by up to NOK 12,775,630, in order to finance further growth.

At 29 July 2024, the Company published a stock exchange announcement of a non-binding Letter of Intent ("LOI") to explore a strategic partnership with a leading American medical imaging company (the "Partner Company"). The potential strategic partnership will contain a joint effort to develop and market handheld ultrasound-based solutions for the dialysis market and explore a potential distribution partnership within the EU. The Partner Company specializes in portable medical imaging solutions, backed by top-tier American Venture Capital and Investment Managers. Their portfolio includes ultrasound devices, device-agnostic workflow software, and AI-based analysis tools for various medical applications. This partnership aims to leverage these technologies with Observe

Medical's Biim ultrasound technology, with a particular focus on supporting the existing Fresenius contract opportunity.

The LOI signifies a shared interest in leveraging both companies' expertise and technologies. This involves joint development efforts in the dialysis market, a revenue-sharing agreement based on net sales of solutions, and potential exploration of a distribution partnership within the EU. Final terms of any definitive agreement will be subject to due diligence and further negotiations.

On August 13, the Company announced that Jørgen Mann was appointed permanent CEO.

Alternative Performance Measures (APMs)

Observe Medical uses alternative performance measures for periodic and annual financial reporting in order to provide a better understanding of the Group's underlying financial performance

Gross result	Operating revenues less direct cost of materials as cost price, transportation and warehouse cost of materials for sale. Gross result is a sub-total in the condensed consolidated statement of income.
EBIT	Earnings before net financial items, results from associates and joint ventures and income tax. EBIT is a sub-total in the condensed consolidated statement of income.
EBIT margin (%):	EBIT as a percentage of revenues.
EBITDA before non-recurring items	EBITDA of the Company before any extraordinary or unusual one-time non-recurring expenses or other charges as reflected in the Company's audited consolidated financial statements for the year
EBITDA	Earnings before interest, tax, depreciation and amortization. EBITDA is a sub-total in the condensed consolidated statement of comprehensive income.
EBITDA margin (%)	EBITDA as a percentage of revenues.
Operating expenses	Employee benefit expenses plus other operating expenses.
Earnings per Share (EPS):	Profit divided by number of outstanding shares
Net interest-bearing debt	Non-current and current interest bearing liabilities deducted bank deposits
Equity ratio	Total equity divided by total assets

Equity ratio

<i>(Amounts in TNOK)</i>	At 30 June 2024	At 31 December 2023	At 30 June 2023
Equity	107 448	115 606	109 228
Total assets	246 400	253 537	203 730
Equity ratio	43,6 %	45,6 %	53,6 %

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IR Contacts

Jørgen Mann, CEO
+45 40 86 75 58
jorgen.mann@observemedical.com

Johan M. Fagerli, CFO
+47 958 12 765
johan.fagerli@observemedical.com

Address

Observe Medical ASA
Dronning Eufemias gate 16
Oslo, Norway

info@observemedical.com